

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Cherry Grove Township	County Wexford
Fiscal Year End 06/30/2007	Opinion Date 09/19/2007	Date Audit Report Submitted to State November 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

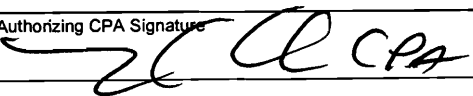
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Communication of Significant Deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	Zip 49601
		License Number 1101023146	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-x
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5-6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	7
Proprietary Funds	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11-24
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	25-28
Individual Fund Financial Statements	
Major Governmental Funds	
<u>General Fund</u>	
Comparative Balance Sheet	29
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	30-31
<u>Municipal Street Fund</u>	
Comparative Balance Sheet	32
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	33
<u>Fire Fund</u>	
Comparative Balance Sheet	34
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	35-36

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
Major Governmental Funds	
<u>Liquor Law Enforcement Fund</u>	
Comparative Balance Sheet	37
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	38
<u>Lake Improvement Fund</u>	
Comparative Balance Sheet	39
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	40
<u>Capital Improvement Revolving Fund</u>	
Comparative Balance Sheet	41
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	42
Major Proprietary Fund	
<u>Sewer Fund</u>	
Comparative Statement of Net Assets	43
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	44
Comparative Statement of Cash Flows	45
Agency Funds	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	46
Other Information	
Statement of 2006 Summer Property Tax Roll	47
Statement of 2006 Winter Property Tax Roll	48

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

September 19, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through x and budgetary comparison information on pages 25-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherry Grove Township, Wexford County, Cadillac, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Cherry Grove Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, is intended to be the Cherry Grove Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2007, along with specific comparative information as required.

Financial Highlights Section

- The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,454,902. Of this amount, \$1,294,805 may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$681,968 an increase of \$12,741 in comparison with the prior year. \$244,585 is available for spending at the Township's discretion.
- On June 30, 2007, the business-type activities had net assets of \$1,263,192, an increase of \$9,969 from the previous year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$2,454,902 at June 30, 2007, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Cherry Grove Township
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets						
Current Assets	\$ 775,397	\$ 769,327	\$ 704,583	\$ 669,223	\$ 1,479,980	\$ 1,438,550
Non Current Assets						
Capital Assets	1,279,871	1,170,168	1,269,562	1,269,562	2,549,433	2,439,730
Less: Accumulated Depreciation	(598,625)	(506,648)	(710,953)	(685,562)	(1,309,578)	(1,192,210)
Total Non Current Assets	681,246	663,520	558,609	584,000	1,239,855	1,247,520
Total Assets	\$ 1,456,643	\$ 1,432,847	\$ 1,263,192	\$ 1,253,223	\$ 2,719,835	\$ 2,686,070
Liabilities						
Current Liabilities	\$ 136,826	\$ 125,713	\$ 0	\$ 0	\$ 136,826	\$ 125,713
Long-Term Liabilities	128,107	171,504	0	0	128,107	171,504
Total Liabilities	264,933	297,217	0	0	264,933	297,217
Net Assets						
Invested in Capital Assets						
Net of Related Debt	509,742	450,361	558,609	584,000	1,068,351	1,034,361
Restricted for Specific Purposes	91,746	146,770	0	0	91,746	146,770
Unrestricted	590,222	538,499	704,583	669,223	1,294,805	1,207,722
Total Net Assets	1,191,710	1,135,630	1,263,192	1,253,223	2,454,902	2,388,853
Total Liabilities and Net Assets	\$ 1,456,643	\$ 1,432,847	\$ 1,263,192	\$ 1,253,223	\$ 2,719,835	\$ 2,686,070

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$1,294,805 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$66,049 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Cherry Grove Township						
Change in Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 23,937	\$ 60,883	\$ 106,952	\$ 108,095	\$ 130,889	\$ 168,978
Operating Grants and Contributions	87,999	53,404	0	0	87,999	53,404
Capital Grants and Contributions	89,186	42,338	0	0	89,186	42,338
General Revenues						
Taxes	192,528	181,965	0	0	192,528	181,965
State Grants	156,584	159,785	0	0	156,584	159,785
Investment Earnings	29,758	19,575	31,574	15,365	61,332	34,940
Other	6,819	1,270	0	0	6,819	1,270
Total Revenues	\$ 586,811	\$ 519,220	\$ 138,526	\$ 123,460	\$ 725,337	\$ 642,680

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<u>Expenses</u>						
Legislative	\$ 10,345	\$ 12,353	\$ 0	\$ 0	\$ 10,345	\$ 12,353
General Government	168,079	159,420	0	0	168,079	159,420
Public Safety	205,816	115,849	0	0	205,816	115,849
Public Works	8,275	37,313	0	0	8,275	37,313
Recreation and Culture	107,202	113,602	0	0	107,202	113,602
Other Functions	22,323	23,543	0	0	22,323	23,543
Interest on Long-term Debt	8,691	585	0	0	8,691	585
Sewer	0	0	128,557	128,450	128,557	128,450
Total Expenses	530,731	462,665	128,557	128,450	659,288	591,115
Change in Net Assets	56,080	56,555	9,969	(4,990)	66,049	51,565
<u>NET ASSETS</u> - Beginning of Year	1,135,630	1,079,075	1,253,223	1,258,213	2,388,853	2,337,288
<u>NET ASSETS</u> - End of Year	\$ 1,191,710	\$ 1,135,630	\$ 1,263,192	\$ 1,253,223	\$ 2,454,902	\$ 2,388,853

Governmental Activities

During the fiscal year ended June 30, 2007, the Township's net assets increased by \$56,080 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Cherry Grove Township comes from taxes. The Township levied operating and fire protection millages, this fiscal year. As a result, tax revenue increased by \$10,563. The Township levied 0.7559 mills for operating purposes and 0.9428 mills for fire protection. The fire protection millage is almost 25% higher than the township operating tax. The fire protection millage is voted on by the township residents. The next election for this millage is 2012. Therefore, the greatest portion of income for the township is not a guaranteed source of funding for the future.

The Township's governmental activities expenses are dominated by public safety expenses. The Township spent \$205,816 in fiscal year 2007 on public safety expenses. General governmental expenses represented the next largest expense at \$168,079.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$106,952 for 2007. The Township pays

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

the Wexford County Department of Public Works for Township sewer services which accounted for \$102,081 of the Sewer Funds expenses. Depreciation expense of \$25,391 accounted for the next largest expense.

Sewer operations experienced an increase in net assets in the amount of \$9,969. Rate increases for usage are planned for 2008 in order to make sure the aging sewer system will remain functional.

The Sewer Fund is the Township's only Business-Type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Cherry Grove Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Cherry Grove Township's governmental funds reported combined ending fund balances of \$681,968. \$244,585 of this total amount constitutes unreserved and undesignated fund balance. The June 30th fiscal year end balance seems somewhat high because it represents the influx of taxes that are always received in March. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$2,682, which brings the fund balance to \$276,372. All of the General Fund's fund balance is unreserved. Tax revenues increased by \$5,662. The General Fund transferred \$16,068 to the Municipal Street Fund and \$50,000 to Capital Improvement Fund.

Municipal Street Fund – The Road Improvement Fund increased its fund balance by \$39,388, which brings the fund balance to \$117,296. The balance is designated to be used for road improvements.

The majority of the sources of revenue that funds the Municipal Street Fund are special assessments and a transfer from the General Fund. The General Fund provided \$16,068 of the revenues and special assessments provided \$16,042 of the revenues.

Fire Fund – The Fire Fund decreased its fund balance by \$52,488, which brings the fund balance to \$87,814. This balance is reserved and must be used for fire protection.

The Township did levy a fire millage on the 2006 tax roll. Tax related revenues totaled \$89,500 for the current fiscal year.

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund increased its fund balance by \$830, which brings the fund balance to \$1,981. This balance is designated to be used for liquor law enforcement.

The liquor fund was self funding in the sense that all costs associated with liquor law enforcement for the township were covered by the State of Michigan through collection of liquor license fees from the places of business in the township that serve or sell liquor.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Lake Improvement Fund – The Lake Improvement Fund decreased its fund balance by \$38,255, which brings the fund balance to a deficit of \$31,787. This deficit was created by the need to treat a larger portion of the lake in June 2007. The deficit will be eliminated by higher assessment revenue beginning in July 2007. This higher assessment will yield approximately \$188,000 per year, which will be needed to deal with the large increase in Eurasian milfoil that was growing in Lake Mitchell last year. The sudden increase in the presence of milfoil necessitated the increase in assessments. This fund is run by a board appointed by various entities with an interest in Lake Mitchell. The Township's role is mainly as a recordkeeping function as one of the establishing entities.

Capital Improvement Revolving Fund – The Capital Improvement Revolving Fund increased its fund balance by \$60,584, which brings the fund balance to \$230,292. Prior board resolution asked that this amount be designated for future uses regarding the sewer system.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with an increase in net assets of \$9,969. Over time the fund should experience positive cash flow in order to afford future repairs and replacements of the sewer system.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2007 amounted to \$1,239,855 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was \$7,665.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land and Land Improvements	\$ 6,155	\$ 6,155	\$ 0	\$ 0	\$ 6,155	\$ 6,155
Buildings	247,246	241,261	0	0	247,246	241,261
Improvements other than Buildings	0	0	1,269,562	1,269,562	1,269,562	1,269,562
Infrastructure	21,199	21,199	0	0	21,199	21,199
Equipment, Furniture, Vehicles	1,005,271	901,553	0	0	1,005,271	901,553
Subtotal	1,279,871	1,170,168	1,269,562	1,269,562	2,549,433	2,439,730
Accumulated Depreciation	598,625	506,648	710,953	685,562	1,309,578	1,192,210
Net Capital Assets	\$ 681,246	\$ 663,520	\$ 558,609	\$ 584,000	\$ 1,239,855	\$ 1,247,520

Major capital asset events during the current fiscal year included the following:

- ◆ Replaced severely leaking roof at township office in the amount of \$5,985.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

- ◆ Purchased new software in the amount of \$11,210 for clerk's and treasurer's office. The purchase was necessitated by former software company losing one-third of their key members and to be compatible with Wexford County. This software is used by local municipalities state-wide and ensures use long into the future.
- ◆ Purchased various pieces of fire equipment with grants in the Fire Fund in the amount of \$92,765.

Long-Term Debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$171,504 for the purchase of a 2003 Chevrolet 2500 pickup and a fire truck. The pickup debt is serviced 50% by the General Fund and 50% by the Fire Fund. The fire truck debt is serviced 100% by the Fire Fund. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements. Interest rates earned on investment and availability of cash on hand were all carefully analyzed by the township board when making the decisions to borrow money for truck purchases.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential future reductions in state-shared revenues. The Township's millage rates were reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Cherry Grove Township at 4830 E. M-55, Cadillac, Michigan 49601.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 70,820	\$ 39,847	\$ 110,667
Accounts Receivable	0	32,689	32,689
Interest Receivable	0	4,196	4,196
Taxes Receivable	51	0	51
Due from Other Governments	50,341	0	50,341
Investments	654,185	627,851	1,282,036
Total Current Assets	775,397	704,583	1,479,980
<u>CAPITAL ASSETS</u>			
Land and Improvements	6,155	0	6,155
Buildings	247,246	0	247,246
Improvements Other Than Buildings	0	1,269,562	1,269,562
Infrastructure	21,199	0	21,199
Equipment, Furniture and Vehicles	1,005,271	0	1,005,271
	1,279,871	1,269,562	2,549,433
Less Accumulated Depreciation	598,625	710,953	1,309,578
Net Capital Assets	681,246	558,609	1,239,855
TOTAL ASSETS	1,456,643	1,263,192	2,719,835
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	93,429	0	93,429
Current Portion of Non-Current Liabilities	43,397	0	43,397
Total Current Liabilities	136,826	0	136,826
<u>NONCURRENT LIABILITIES</u>			
Note Payable (Net of Current Portion)	128,107	0	128,107
TOTAL LIABILITIES	264,933	0	264,933
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	509,742	558,609	1,068,351
Restricted for Public Safety	87,814	0	87,814
Restricted for Public Works	3,932	0	3,932
Unrestricted	590,222	704,583	1,294,805
TOTAL NET ASSETS	\$ 1,191,710	\$ 1,263,192	\$ 2,454,902

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 10,345	\$ 0	\$ 0	\$ 0	\$ (10,345)	\$ 0	\$ (10,345)
General Government	168,079	22,927	0	0	(145,152)	0	(145,152)
Public Safety	205,816	1,010	21,492	89,186	(94,128)	0	(94,128)
Public Works	8,275	0	3,932	0	(4,343)	0	(4,343)
Recreation and Culture	107,202	0	62,575	0	(44,627)	0	(44,627)
Other Functions	22,323	0	0	0	(22,323)	0	(22,323)
Interest on Long-term Debt	8,691	0	0	0	(8,691)	0	(8,691)
Total Governmental Activities	530,731	23,937	87,999	89,186	(329,609)	0	(329,609)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	128,557	106,952	0	0	0	(21,605)	(21,605)
TOTAL	\$ 659,288	\$ 130,889	\$ 87,999	\$ 89,186	(329,609)	(21,605)	(351,214)
<u>GENERAL REVENUES</u>							
Taxes					192,528	0	192,528
State Grants					156,584	0	156,584
Investment Earnings					29,758	31,574	61,332
Other					6,819	0	6,819
Total General Revenues					385,689	31,574	417,263
Change in Net Assets					56,080	9,969	66,049
<u>NET ASSETS</u> - Beginning of Year					1,135,630	1,253,223	2,388,853
<u>NET ASSETS</u> - End of Year					\$ 1,191,710	\$ 1,263,192	\$ 2,454,902

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>ASSETS</u>							
Cash	\$ 5,712	\$ 5,392	\$ 4,951	\$ 1,981	\$ 52,739	\$ 45	\$ 70,820
Taxes Receivable	23	0	28	0	0	0	51
Investments	224,910	115,836	83,192	0	0	230,247	654,185
Due from Other Governments	50,341	0	0	0	0	0	50,341
Due from Other Funds	3,932	0	491	0	0	0	4,423
TOTAL ASSETS	\$ 284,918	\$ 121,228	\$ 88,662	\$ 1,981	\$ 52,739	\$ 230,292	\$ 779,820
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 8,055	\$ 0	\$ 848	\$ 0	\$ 84,526	\$ 0	\$ 93,429
Due to Other Funds	491	3,932	0	0	0	0	4,423
Deferred Revenue	0	0	0	0	0	0	0
Total Liabilities	8,546	3,932	848	0	84,526	0	97,852
<u>FUND BALANCE</u>							
Reserved for:							
Telecommunications Right of Way	0	3,932	0	0	0	0	3,932
Fire Protection	0	0	87,814	0	0	0	87,814
Unreserved							
Designated for:							
Street Improvements	0	113,364	0				113,364
Liquor Law Enforcement	0	0	0	1,981	0	0	1,981
Public Improvements	0	0	0	0	0	230,292	230,292
Undesignated - (Deficit)	276,372	0	0	0	(31,787)	0	244,585
Total Fund Balance	276,372	117,296	87,814	1,981	(31,787)	230,292	681,968
TOTAL LIABILITIES AND FUND BALANCE	\$ 284,918	\$ 121,228	\$ 88,662	\$ 1,981	\$ 52,739	\$ 230,292	\$ 779,820

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Balances for Governmental Funds	\$	681,968
--	----	---------

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Improvements	\$	6,155	
Buildings		247,246	
Equipment, Furniture and Vehicles		1,005,271	
Infrastructure		21,199	
Accumulated Depreciation		<u>(598,625)</u>	681,246

Long term liabilities are not due and payable in the current period and
are not reported in the funds

Note Payable		<u>(171,504)</u>
--------------	--	------------------

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,191,710</u></u>
---------------------------------------	----	-------------------------

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>REVENUES</u>							
Taxes	\$ 103,028	\$ 0	\$ 89,500	\$ 0	\$ 0	\$ 0	\$ 192,528
Licenses and Permits	10,404	0	0	0	0	0	10,404
Federal Grants	0	0	89,186	0	0	0	89,186
State Grants	156,584	3,932	0	2,422	0	0	162,938
Contributions from Local Units	0	0	0	0	26,825	0	26,825
Charges for Services	10,923	0	1,010	0	0	0	11,933
Interest and Rents	12,547	4,325	3,351	0	446	10,689	31,358
Other Revenues	4	16,042	25,885	0	35,750	0	77,681
Total Revenues	293,490	24,299	208,932	2,422	63,021	10,689	602,853
<u>EXPENDITURES</u>							
Legislative	26,298	0	0	0	0	0	26,298
General Government	161,804	0	0	0	0	0	161,804
Public Safety	0	0	213,332	1,592	0	0	214,924
Public Works	6,131	979	0	0	0	105	7,215
Recreation and Culture	5,926	0	0	0	101,276	0	107,202
Other Functions	22,323	0	0	0	0	0	22,323
Debt Service	2,258	0	48,088	0	0	0	50,346
Total Expenditures	224,740	979	261,420	1,592	101,276	105	590,112
Excess (Deficiency) of Revenues Over Expenditures	68,750	23,320	(52,488)	830	(38,255)	10,584	12,741

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	0	16,068	0	0	0	50,000	66,068
Transfers Out	(66,068)	0	0	0	0	0	(66,068)
Total Other Financing Sources (Uses)	(66,068)	16,068	0	0	0	50,000	0
Net Change in Fund Balance	2,682	39,388	(52,488)	830	(38,255)	60,584	12,741
<u>FUND BALANCE</u> - Beginning of Year	273,690	77,908	140,302	1,151	6,468	169,708	669,227
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ 276,372	\$ 117,296	\$ 87,814	\$ 1,981	\$ (31,787)	\$ 230,292	\$ 681,968

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 12,741
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(96,977)
Capital Outlay	114,703
Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	41,655
Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.	
Deferred Revenue - Beginning of Year	(16,042)
Deferred Revenue - End of Year	<u>0</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 56,080</u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 39,847
Accounts Receivable	32,689
Interest Receivable	4,196
Investments	627,851
Total Current Assets	704,583
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	1,269,562
Less Accumulated Depreciation	710,953
Net Capital Assets	558,609
TOTAL ASSETS	\$ 1,263,192
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	\$ 0
<u>NET ASSETS</u>	
Invested in Capital Assets	558,609
Unrestricted	704,583
Total Net Assets	1,263,192
TOTAL LIABILITIES AND NET ASSETS	\$ 1,263,192

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 106,952</u>
<u>OPERATING EXPENSES</u>	
Public Works	
Professional Services	1,060
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	102,081
Depreciation	25,391
Miscellaneous	25
	<u> </u>
Total Operating Expenses	<u>128,557</u>
Operating Income (Loss)	<u>(21,605)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	26,012
Net Increase (Decrease) in the Fair Value of Investments	<u>5,562</u>
Total NonOperating Revenues (Expenses)	<u>31,574</u>
Change in Net Assets	9,969
<u>NET ASSETS - Beginning of Year</u>	<u>1,253,223</u>
<u>NET ASSETS - End of Year</u>	<u><u>\$ 1,263,192</u></u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 107,518
Cash Payments to Suppliers for Goods and Services	(103,166)
Net Cash Provided (Used) by Operating Activities	<u>4,352</u>
Cash Flows from Investing Activities:	
Interest on Investments	23,229
Proceeds from Sale of Short-Term Investment Fund and U.S. Treasury Notes	111,346
Acquisition of Short-Term Investment Fund and U.S. Treasury Notes	(133,798)
Net Cash Provided (Used) by Investing Activities	<u>777</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,129
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>34,718</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 39,847</u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (21,605)
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	25,391
(Increase) Decrease in Current Assets	
Accounts Receivable - Service Billings	<u>566</u>
Total Adjustments	<u>25,957</u>
NET CASH PROVIDED BY	
OPERATING ACTIVITIES	<u>\$ 4,352</u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cherry Grove Township is a general law township located in Wexford County which operates under the direction of an elected township board. As required by generally accepted accounting principles, these financial statements present the government and its blended component unit, an entity for which the Township is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the Township for financial reporting purposes so its data is combined with the Township.

Blended Component Unit. The Lake Mitchell Improvement Authority was established to provide for the improvement of Lake Mitchell and is funded by special assessments on lake front property owners. Cherry Grove Township, Selma Township, and the City of Cadillac are all members of the Authority. Each unit appoints members to the Authority Board. Cherry Grove Township is financially the largest member of the Authority and therefore the Authority is considered a component unit of the Township. The Authority is reported as a special revenue fund.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Cherry Grove Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditures for street improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Liquor Law Enforcement Fund* accounts for revenue sources that are legally restricted to expenditures for liquor law enforcement.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for lake improvements.

The *Capital Improvement Revolving Fund* accounts for revenue sources that are board designated for expenditures for public improvement. The source of revenue for this fund originates from transfers in from the general fund.

Cherry Grove Township reports the following major proprietary fund:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Clam Lake Township and Selma Township.

Additionally Cherry Grove Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the Township is limited to investments authorized by Public Act 20 of 1943 (MCL 129.91 et seq), as amended, or as shall be amended in the future, and may include the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Cherry Grove Township Board at the Board's organizational meeting after each regular election of members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (ex Sess) PA7, MCL 124.501 to 124.512.
- (e) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, two-thirds of county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 28. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Cherry Grove Township totaled \$94,802,049, on which ad valorem taxes levied consisted of 0.7559 mills for Cherry Township operating purposes, and 0.9428 mills for Cherry Grove Township fire protection. These levies raised approximately \$71,642 for operating purposes and \$89,356 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Improvements	20
Infrastructure	20-50
Equipment, Furniture and Vehicles	5-10

5. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. *Comparative Data/Reclassifications*

Comparative total data for prior years have been presented for all funds in the fund financial statement in order to provide an understanding of the changes in the financial position and

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on June 29, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township board exercises budgetary control over expenditures.

Encumbrance accounting not employed in governmental funds.

B. Funds with Expenditures in Excess of Appropriations were as follows:

General Fund	<u>Budget</u>	<u>Actual</u>
Cemetery	\$ 13,210	\$ 14,161
Street Lighting	500	569
Debt Service	0	2,258
Special Revenue Fund		
Fire Fund		
Debt Service	47,000	48,088
Lake Improvement Fund		
Lake Improvement	61,500	101,276

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are on deposit with Citizens Bank, Northwestern Bank, Fifth Third Bank and Bank One Municipal Investment Services.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, none of the government's bank balance of \$143,205 was exposed to custodial credit risk because it was insured and collateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name.

As of June 30, 2007, the Township had the following investments:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Investments - Primary Government		
U.S. Government		
Securities (Risk Category 1)	\$ 245,446	\$ 245,446
Michigan Governmental Money Market Fund		
(Uncategorized as to Risk)	733,418	733,418
Certificates of Deposit (Risk Category 1)	303,172	303,172
	<u>\$ 1,282,036</u>	<u>\$ 1,282,036</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

B. Receivables

Receivables as of year end for the government's individual major funds, and nonmajor funds in aggregate, are as follows:

	General	Fire Fund	Sewer	Total
Receivables				
Due from Other Governments	\$ 50,341	\$ 0	\$ 0	\$ 50,341
Taxes	23	28	0	51
Accounts	0	0	32,689	32,689
Interest	0	0	4,196	4,196
Total	\$ 50,364	\$ 28	\$ 36,885	\$ 87,277

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 6,155	\$ 0	\$ 0	\$ 6,155
Capital assets, being depreciated				
Buildings	241,261	5,985	0	247,246
Machinery and equipment	901,553	108,718	5,000	1,005,271
Infrastructure	21,199	0	0	21,199
Total capital assets, being depreciated	1,164,013	114,703	5,000	1,273,716

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Less accumulated depreciation for:				
Buildings	77,364	6,781	0	84,145
Machinery and Equipment	429,284	89,136	5,000	513,420
Infrastructure	0	1,060	0	1,060
Total accumulated depreciation	506,648	96,977	5,000	598,625
Total capital assets, being depreciated, net	657,365	17,726	0	675,091
Governmental activities capital assets, net	<u>\$ 663,520</u>	<u>\$ 17,726</u>	<u>\$ 0</u>	<u>\$ 681,246</u>
<u>Business-type activities:</u>				
Capital assets, being depreciated				
Improvements other than buildings	\$ 1,269,562	\$ 0	\$ 0	\$ 1,269,562
Less accumulated depreciation for:				
Improvements other than buildings	685,562	25,391	0	710,953
Business-type activities capital assets, net	<u>\$ 584,000</u>	<u>\$ (25,391)</u>	<u>\$ 0</u>	<u>\$ 558,609</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
General Government	\$ 12,260
Public Safety	83,657
Public Works	1,060
Total depreciation expense - governmental activities	<u>\$ 96,977</u>
<u>Business-type activities:</u>	
Sewer	<u>\$ 25,391</u>

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2007.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2007, were:

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 3,932	\$ 491
Special Revenue Funds		
Fire Fund	491	0
Municipal Street Fund	0	3,932
	<u>\$ 4,423</u>	<u>\$ 4,423</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

	<u>TRANSFERS IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 66,068
Special Revenue Funds		
Municipal Street Fund	16,068	0
Capital Improvement Revolving Fund	50,000	0
	<u>\$ 66,068</u>	<u>\$ 66,068</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

4. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township for the year ended June 30, 2007:

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

	<u>INSTALLMENT NOTE</u>
Long-Term Debt Payable	
At July 1, 2006	\$ 213,159
New Debt Incurred	0
Payments on Debt	<u>(41,655)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2007	<u>\$ 171,504</u>
Amount due within one year	<u>\$ 43,397</u>

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$ 43,397	\$ 6,954	\$ 50,351
2009	41,769	5,190	46,959
2010	42,306	3,523	45,829
2011	44,032	1,797	45,829
	<u>\$ 171,504</u>	<u>\$ 17,464</u>	<u>\$188,968</u>

Installment Notes:

\$19,950 2003 Chevrolet 2500 pickup note due in monthly installments of \$377 through September 30, 2008; interest at 4.99%	\$ 5,462
\$203,566 2006 Fire Truck note due in annual installments of \$45,829 through September 20, 2010; interest at 4.08%	<u>166,042</u>
	<u>\$171,504</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/net assets have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

FUND BALANCE/NET ASSETS

Reserved	
Municipal Street Fund	
Telecommunications Right of Way	\$ 3,932
Fire Fund	
Fire Protection	87,814
Designated	
Special Revenue Funds	
Municipal Street Fund	
Street Improvements	113,364
Liquor Law Enforcement Fund	
Liquor Law Enforcement	1,981
Capital Improvement Revolving Fund	
Public Improvements	<u>230,292</u>
 TOTAL FUND BALANCE RESERVES AND DESIGNATIONS	 <u><u>\$437,383</u></u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with John Hancock Life Insurance Company which covers all employees except for volunteer firemen and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 21 and is ineligible at age 73. An employee's normal retirement date is age 65 except for those age 56 and over at entry who will retire after 10 years of participation in the plan or at the plan anniversary nearest age 75 if sooner.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Township contributions to the plan for 2006-2007, amounted to \$9,538 including administration fees of \$240. Total covered payroll amounted to \$88,331 and total wages including non-covered payroll was \$120,190.

C. Lake Improvement Fund

The Township has joined with Selma Township and the City of Cadillac to establish a Lake Improvement Board for the purpose of improving Lake Mitchell. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Selma Township and the City of Cadillac send the collected assessments to Cherry Grove Township which has been designated by the Lake Improvement Board to maintain the records for the Lake Improvement Fund.

D. Sewer Fund

The Township is participating with Selma and Clam Lake Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was financed through state and federal grants and the sale of special assessment bonds. The total cost of the project was \$2,605,674. Cherry Grove Township's share of this project is 48.723% (\$1,269,562). This amount has been capitalized as an asset in the Sewer Fund and as a charge to contributed equity. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

E. Deficit Fund Balance

The Lake Improvement Fund has a deficit fund balance at June 30, 2007, of \$31,787.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	GENERAL FUND			MUNICIPAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 97,949	\$ 97,949	\$ 103,028	\$ 0	\$ 0	\$ 0
Licenses and Permits	12,700	12,700	10,404	0	0	0
Federal Grants	0	0	0	0	0	0
State Grants	165,050	165,050	156,584	0	3,582	3,932
Contributions From Local Units	0	0	0	0	0	0
Charges for Services	9,500	9,500	10,923	0	0	0
Interest and Rents	5,000	5,000	12,547	700	700	4,325
Other Revenues	0	0	4	6,100	6,100	16,042
Total Revenues	290,199	290,199	293,490	6,800	10,382	24,299
<u>EXPENDITURES</u>						
Legislative						
Township Board	15,650	27,515	26,298	0	0	0
General Government						
Supervisor	14,000	14,000	13,887	0	0	0
Election	8,750	8,750	3,965	0	0	0
Accounting	2,500	2,500	2,115	0	0	0
Assessor	31,700	32,100	30,999	0	0	0
Attorney	5,000	5,000	1,224	0	0	0
Clerk	31,189	31,189	24,163	0	0	0
Board of Review	2,900	2,900	1,266	0	0	0
Treasurer	34,410	34,410	28,831	0	0	0
Building and Grounds	24,065	24,065	13,966	0	0	0
Municipal Building	20,875	28,875	27,227	0	0	0
Cemetery	13,210	13,210	14,161	0	0	0
Public Safety						
Civil Defense	100	100	0	0	0	0
Liquor Law Enforcement	0	0	0	0	0	0
Fire Protection	0	0	0	0	0	0
Public Works						
Highways, Streets, Bridges	0	0	0	118,300	118,300	979
Street Lighting	500	500	569	0	0	0
Refuse Collection/Disposal	7,000	7,000	5,562	0	0	0
Sewer	0	0	0	0	0	0
Culture and Recreation						
Lake Improvement	0	0	0	0	0	0
Township Parks	5,600	10,600	5,926	0	0	0
Other Functions						
Insurance and Bonds	4,000	9,000	4,285	0	0	0
Employee Benefits	27,700	27,700	18,038	0	0	0
Debt Service	0	0	2,258	0	0	0
Contingency	32,500	7,200	0	0	0	0
Total Expenditures	281,649	286,614	224,740	118,300	118,300	979
Excess (Deficiency) of Revenues Over Expenditures	8,550	3,585	68,750	(111,500)	(107,918)	23,320

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	GENERAL FUND			MUNICIPAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	0	0	0	20,000	16,418	16,068
Transfers Out	(67,000)	(67,000)	(66,068)	0	0	0
Total Other Financing Sources (Uses)	(67,000)	(67,000)	(66,068)	20,000	16,418	16,068
Net Change in Fund Balance	(58,450)	(63,415)	2,682	(91,500)	(91,500)	39,388
<u>FUND BALANCE</u> - Beginning of Year	174,163	174,163	273,690	91,692	91,692	77,908
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ 115,713	\$ 110,748	\$ 276,372	\$ 192	\$ 192	\$ 117,296

FIRE FUND			LIQUOR LAW ENFORCEMENT FUND			LAKE IMPROVEMENT FUND			CAPITAL IMPROVEMENT REVOLVING FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
0	0	0	0	0	0	0	0	0	50,000	50,000	50,000
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	50,000	50,000	50,000
(63,149)	(70,643)	(52,488)	400	400	830	(2,550)	(2,550)	(38,255)	55,000	54,895	60,584
120,918	120,918	140,302	992	1,151	1,151	47,144	47,144	6,468	169,708	169,708	169,708
<u>\$ 57,769</u>	<u>\$ 50,275</u>	<u>\$ 87,814</u>	<u>\$ 1,392</u>	<u>\$ 1,551</u>	<u>\$ 1,981</u>	<u>\$ 44,594</u>	<u>\$ 44,594</u>	<u>\$ (31,787)</u>	<u>\$ 224,708</u>	<u>\$ 224,603</u>	<u>\$ 230,292</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 5,712	\$ 9,918
Taxes Receivable	23	0
Investments	224,910	214,883
Due from Other Government	50,341	52,127
Due from Other Funds	3,932	3,583
TOTAL ASSETS	<u>\$ 284,918</u>	<u>\$ 280,511</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 8,055	\$ 4,509
Due to Other Funds	491	2,312
TOTAL LIABILITIES	8,546	6,821
<u>FUND BALANCE</u>		
Unreserved	276,372	273,690
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 284,918</u>	<u>\$ 280,511</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Taxes	\$ 103,028	\$ 97,366
Business Licenses and Permits	10,404	9,867
State Grants	156,584	171,860
Charges for Services	10,923	10,991
Interest and Rents	12,547	9,849
Other Revenues	4	1,094
Total Revenues	<u>293,490</u>	<u>301,027</u>
<u>EXPENDITURES</u>		
Legislative		
Township Board	26,298	12,353
General Government		
Supervisor	13,887	11,198
Election	3,965	14,183
Accounting	2,115	1,995
Assessor	30,999	28,859
Attorney	1,224	2,311
Clerk	24,163	23,690
Board of Review	1,266	2,056
Treasurer	28,831	31,963
Building and Grounds	13,966	12,737
Municipal Building	27,227	18,814
Cemetery	14,161	16,073
Public Works	6,131	6,460
Recreation and Cultural	5,926	9,007
Other Functions	22,323	23,543
Debt Service	2,258	2,258
Total Expenditures	<u>224,740</u>	<u>217,500</u>
Excess (Deficiency) of Revenues Over Expenditures	68,750	83,527

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	<u>(66,068)</u>	<u>(11,829)</u>
Net Change in Fund Balance	2,682	71,698
<u>FUND BALANCE</u> - Beginning of Year	<u>273,690</u>	<u>201,992</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 276,372</u>	<u>\$ 273,690</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 5,392	\$ 16,738
Special Assessments Receivable	0	21,461
Investments	<u>115,836</u>	<u>59,334</u>
TOTAL ASSETS	<u>\$ 121,228</u>	<u>\$ 97,533</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 3,932	\$ 3,583
Deferred Revenue	<u>0</u>	<u>16,042</u>
Total Liabilities	<u>3,932</u>	<u>19,625</u>
<u>FUND BALANCE</u>		
Reserved for Telecommunication Right of Way	3,932	0
Unreserved		
Designated for:		
Street Improvements	<u>113,364</u>	<u>77,908</u>
Total Fund Balance	<u>117,296</u>	<u>77,908</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 121,228</u>	<u>\$ 97,533</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
State Grants		
Telecommunications Right of Way Maintenance	\$ 3,932	\$ 8,171
Interest and Rents		
Interest Earnings	4,325	2,930
Other Revenue		
Special Assessments	16,042	15,209
Penalties on Late Payments	0	29
	<hr/>	<hr/>
Total Revenues	24,299	26,339
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Works		
Highways, Streets and Bridges		
Supplies		
Office Supplies	0	0
Other Services and Charges		
Professional Services	800	775
Printing and Publishing	179	300
Repairs and Maintenance	0	50,877
	<hr/>	<hr/>
Total Expenditures	979	51,952
	<hr/>	<hr/>
Excess (Deficiency) of Revenues		
Over Expenditures	23,320	(25,613)
<u>OTHER FINANCING SOURCES</u>		
Transfers In		
General Fund	16,068	11,829
	<hr/>	<hr/>
Net Change in Fund Balance	39,388	(13,784)
<u>FUND BALANCE</u> - Beginning of Year	77,908	91,692
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 117,296	\$ 77,908
	<hr/>	<hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 4,951	\$ 20,916
Taxes Receivable	28	0
Investments	83,192	134,707
Due from General Fund	491	2,312
TOTAL ASSETS	<u>\$ 88,662</u>	<u>\$ 157,935</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 848	\$ 1,833
Deferred Revenue	0	15,800
TOTAL LIABILITIES	\$ 848	\$ 17,633
<u>FUND BALANCE</u>		
Reserved for Fire Protection	<u>87,814</u>	<u>140,302</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 88,662</u>	<u>\$ 157,935</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Taxes		
Property Tax	\$ 89,500	\$ 84,599
Federal Grants	89,186	0
Charges for Services	1,010	2,400
Interest and Rents		
Interest Earnings	3,351	4,610
Other Revenues		
Sale of Fixed Assets	6,750	0
Refunds and Rebates	65	0
Donations	19,070	15,111
Miscellaneous	0	176
Total Revenues	<u>208,932</u>	<u>106,896</u>
<u>EXPENDITURES</u>		
Public Safety		
Fire Protection		
Personal Services		
Salaries and Wages	31,760	23,306
Employee Benefits		
Michigan Unemployment	42	0
Social Security and Medicare	2,430	0
Supplies		
Office Supplies	915	1,328
Operating Supplies	7,376	8,807
Other Services and Charges		
Contracted Services	4,770	775
Communication	854	445
Transportation	4,949	5,943
Insurance and Bonds	13,923	12,482
Public Utilities	559	0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Printing and Publishing	143	248
Repair and Maintenance	11,889	9,880
Miscellaneous	533	391
Education and Training	12,272	2,509
Capital Outlay		
Equipment	117,859	222,707
Building	3,058	0
Debt Service		
Principal	39,590	1,965
Interest	8,498	293
Total Expenditures	<u>261,420</u>	<u>291,079</u>
Excess (Deficiency) of Revenues Over Expenditures	(52,488)	(184,183)
<u>OTHER FINANCING SOURCES (USES)</u>		
Notes Payable Issued	<u>0</u>	<u>203,566</u>
Net Change in Fund Balance	(52,488)	19,383
<u>FUND BALANCE</u> - Beginning of Year	<u>\$ 140,302</u>	<u>120,919</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 87,814</u>	<u>\$ 140,302</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2007	2006
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 1,981	\$ 1,151
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	
<u>FUND BALANCE</u>		
Designated for Liquor Law Enforcement	1,981	1,151
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,981	\$ 1,151
	<hr/>	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
State Grants		
Liquor Licenses	\$ 2,422	\$ 2,397
<u>EXPENDITURES</u>		
Public Safety		
Law Enforcement		
Personal Services		
Salaries and Wages	1,200	1,900
Supplies		
Operating Supplies	0	43
Other Services and Charges		
Professional Services	105	100
Transportation	47	48
Insurance and Bonds	148	147
Miscellaneous	92	0
Total Expenditures	<u>1,592</u>	<u>2,238</u>
Excess (Deficiency) of Revenues Over Expenditures	830	159
<u>FUND BALANCE</u> - Beginning of Year	<u>1,151</u>	<u>992</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,981</u>	<u>\$ 1,151</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 52,739	\$ 68,384
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 84,526	\$ 61,916
	<hr/>	
<u>FUND BALANCE</u>		
Unreserved Undesignated (Deficit)	(31,787)	6,468
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 52,739	\$ 68,384
	<hr/>	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Contributions from Local Units		
Selma Township	\$ 26,625	\$ 26,625
City of Cadillac	200	1,100
Interest and Rents		
Interest Earnings	446	544
Other Revenue		
Special Assessments	35,750	35,650
	<hr/>	<hr/>
Total Revenues	63,021	63,919
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Recreation and Cultural		
Lake Improvement		
Supplies		
Office Supplies	536	0
Other Services and Charges		
Insurance	735	733
Professional Services	8,525	21,649
Weed Harvesting and Chemicals	84,526	81,580
Printing and Publishing	642	633
Repairs and Maintenance	6,312	0
	<hr/>	<hr/>
Total Expenditures	101,276	104,595
	<hr/>	<hr/>
Excess (Deficiency) of Revenues		
Over Expenditures	(38,255)	(40,676)
	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	6,468	47,144
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ (31,787)	\$ 6,468
	<hr/> <hr/>	<hr/> <hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT REVOLVING FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 45	\$ 150
Investments	<u>230,247</u>	<u>169,558</u>
	<u>\$ 230,292</u>	<u>\$ 169,708</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Designated for Public Improvements	<u>230,292</u>	<u>169,708</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 230,292</u>	<u>\$ 169,708</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT REVOLVING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Interest and Rents		
Interest Earnings	\$ 10,689	\$ 3,617
<u>EXPENDITURES</u>		
Public Works		
Other Services and Charges		
Contracted Services	<u>105</u>	<u>100</u>
Excess (Deficiency) of Revenues Over Expenditures	10,584	3,517
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		
General Fund	<u>50,000</u>	<u>0</u>
Net Change in Fund Balance	60,584	3,517
<u>FUND BALANCE</u> - Beginning of Year	<u>169,708</u>	<u>166,191</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 230,292</u>	<u>\$ 169,708</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 39,847	\$ 34,718
Accounts Receivable	32,689	33,255
Interest Receivable	4,196	1,413
Investments	627,851	599,837
	<hr/>	<hr/>
Total Current Assets	704,583	669,223
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Improvements Other Than Buildings	1,269,562	1,269,562
Less Accumulated Depreciation	710,953	685,562
	<hr/>	<hr/>
Net Capital Assets	558,609	584,000
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,263,192</u>	<u>\$ 1,253,223</u>
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets	558,609	584,000
Unrestricted	704,583	669,223
	<hr/>	<hr/>
Total Net Assets	1,263,192	1,253,223
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,263,192</u>	<u>\$ 1,253,223</u>
	<hr/>	<hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Use Charges	\$ 106,952	\$ 108,095
<u>OPERATING EXPENSES</u>		
Public Works		
Professional Services	1,060	1,025
Contracted Services		
Operation and Maintenance		
Wexford County Department of Public Works	102,081	102,009
Depreciation	25,391	25,391
Miscellaneous	25	25
Total Operating Expenses	<u>128,557</u>	<u>128,450</u>
Operating Income (Loss)	<u>(21,605)</u>	<u>(20,355)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	26,012	22,099
Net Increase (Decrease) in the Fair Value of Investments	<u>5,562</u>	<u>(6,734)</u>
Total Nonoperating Revenues (Expenses)	<u>31,574</u>	<u>15,365</u>
Change in Net Assets	9,969	(4,990)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>1,253,223</u>	<u>1,258,213</u>
<u>TOTAL NET ASSETS</u> - End of Year	<u>\$ 1,263,192</u>	<u>\$ 1,253,223</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 107,518	\$ 106,420
Cash Payments to Suppliers for Goods and Services	<u>(103,166)</u>	<u>(103,059)</u>
Net Cash Provided (Used) by Operating Activities	<u>4,352</u>	<u>3,361</u>
Cash Flows from Investing Activities:		
Interest on Investments	23,229	22,817
Proceeds from Investments	111,346	100,000
Acquisition of Investments	<u>(133,798)</u>	<u>(122,167)</u>
Net Cash Provided (Used) by Investing Activities	<u>777</u>	<u>650</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,129	4,011
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>34,718</u>	<u>30,707</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 39,847</u></u>	<u><u>\$ 34,718</u></u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ (21,605)</u>	<u>\$ (20,355)</u>
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities		
Depreciation	25,391	25,391
(Increase) Decrease in Current Assets		
Accounts Receivable - Service Billings	<u>566</u>	<u>(1,675)</u>
Total Adjustments	<u>25,957</u>	<u>23,716</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 4,352</u></u>	<u><u>\$ 3,361</u></u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2007

	BALANCE			BALANCE
	7/1/2006	ADDITIONS	DEDUCTIONS	6/30/2007
<u>ASSETS</u>				
Cash	\$ 0	\$ 5,601,125	\$ (5,601,125)	\$ 0
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 13,723	\$ (13,723)	\$ 0
Due to Other Funds	0	230,794	(230,794)	0
Due to Other Governments	0	2,679,591	(2,679,591)	0
TOTAL LIABILITIES	\$ 0	\$ 2,924,108	\$ (2,924,108)	\$ 0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2006 SUMMER PROPERTY TAX ROLL
JUNE 30, 2007

TAXES ASSESSED

County	\$	424,105	
State Education Tax		568,689	
Township			
Delinquent Road Assessments		21,461	
Schools			
Cadillac Area Public Schools		<u>396,880</u>	\$ 1,411,135

TAXES COLLECTED

County	397,356	
State Education Tax	532,820	
Township		
Delinquent Road Assessments	20,177	
Schools		
Cadillac Area Public Schools	<u>362,768</u>	<u>1,313,121</u>

TAXES RETURNED DELINQUENT

County	26,749	
State Education Tax	35,869	
Township		
Delinquent Road Assessments	1,284	
Schools		
Cadillac Area Public Schools	<u>34,112</u>	<u>\$ 98,014</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2006 WINTER PROPERTY TAX ROLL
JUNE 30, 2007

TAXES ASSESSED

County	\$	557,398	
Township			
Operating		71,642	
Fire		89,356	
Lake Mitchell Special Assessment		35,750	
Delinquent Sewer Service Billings		10,003	
Schools			
Cadillac Area Public Schools		396,877	
Pine River Area Schools		6,754	
Intermediate School			
Wexford-Missaukee Intermediate		<u>563,180</u>	\$ 1,730,960

TAXES COLLECTED

County	506,117		
Township			
Operating	65,051		
Fire	81,135		
Lake Mitchell Special Assessment	33,800		
Delinquent Sewer Service Billings	613		
Schools			
Cadillac Area Public Schools	348,705		
Pine River Area Schools	6,129		
Intermediate School			
Wexford-Missaukee Intermediate	<u>511,366</u>	<u>1,552,916</u>	

TAXES RETURNED DELINQUENT

County	51,281		
Township			
Operating	6,591		
Fire	8,221		
Lake Mitchell Special Assessment	1,950		
Delinquent Sewer Service Billings	9,390		
Schools			
Cadillac Area Public Schools	48,172		
Pine River Area Schools	625		
Intermediate School			
Wexford-Missaukee Intermediate	<u>51,814</u>	<u>\$ 178,044</u>	

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

September 19, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

During the course of our audit of the basic financial statements of Cherry Grove Township for the year ended June 30, 2007, we noted the following:

Budgeting Procedures

Certain activities exceeded budgeted amounts during the year. We recommend budgets be monitored during the year and amended as necessary to be in compliance with P.A. 621. The Township's new software should help with this process.

Capital Outlay

The Township has adopted a capitalization policy of \$1,000 for GASB34. We recommend the Township either set up another Capital Outlay account to post transactions under \$1,000 to, or that the Township post transactions under the \$1,000 limit to other accounts such as repairs and maintenance or operating supplies.

Deficit Fund Balance Lake Improvement Fund

At June 30, 2007, the Lake Improvement Fund had a deficit fund balance of \$31,787. The Michigan Department of Treasury requires the Township to file a deficit reduction plan as soon as possible. This plan should be created by the Lake Mitchell Improvement Board since they are the actual entity in charge of the Lake Improvement Fund and are treated as a blended component unit in the Township's annual audit. We have provided the Township with additional information related to this requirement.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

September 19, 2007

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Cherry Grove Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Cherry Grove Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control that we consider to be significant deficiencies.

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.